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A 281.9 FAS

FAS-M-96

SEPTEMBER 1960





in THE UNITED KINGDOM,

BELGIUM,

THE NETHERLANDS,

WEST GERMANY,

and ITALY

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE



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# IMPORT RESTRICTIONS ON FEED GRAINS IN THE

UNITED KINGDOM, BELGIUM, THE NETHERLANDS, WEST GERMANY, AND ITALY

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In the past few years, U.S. feed grain producers have been looking more and more to the foreign market as an outlet for their products. World demand for these grains began to rise rapidly in the mid-1950's. The key to the rise was prosperity. Thus, it is natural that the important agricultural countries of Western Europe--enjoying a high level of economic activity and traditionally big feed grain buyers--have been the major importers. Access to these markets, however, is not without hindrance.

#### Summary

The United Kingdom is the world's biggest importer of feed grains in most years. Even so, it limits its import needs by supporting the prices of nome-grown barley and oats. Also, it has a 10-percent ad valorem duty on grain sorghums from non-Commonwealth countries, but so far the advantage the duty gives Commonwealth countries has not appreciably increased their sorghums production and exports. Thus, removal would benefit both the United Kingdom and the United States, for about 75 percent of the U.K. sorghum imports have been coming from the United States. The duty does, however, put grain sorghums (which are practically equal to corn in feeding value) at a disadvantage in competing with duty-free corn in the U.K. market.

Belgium levies taxes on imports of feed grains to increase prices of both imported and domestic feed grains. It is doing this to encourage its farmers to grow more of such grains at the expense of wheat, and thus reduce a Belgian wheat surplus. Total feed grain imports have not greatly declined however. Since the wheat support price has been kept at an average of 470 francs per 100 kg. (\$2.55 per bushel), the farmers still find it more profitable to grow wheat than feed grains.

The Netherlands levies equalization fees on imported feed grains. These fees approximately equalize the cost of lower priced imported feed grains with the higher producer floor prices fixed for the home-grown products. The purpose of the fees is to help protect Dutch farmers against the keen competition they would otherwise have to meet from imported feed grains, and thus maintain domestic production or increase it.

West Germany directly controls feed grain imports through its Import and Storage Agency. This agency specifies the total amount of each grain to be obtained from each exporting country during the marketing year and, within the "continuous import" procedure, exercises reserved rights at any time to prohibit purchases from certain exporting countries, to change the amount of each grain to be imported from any country, stop purchases from anywhere, and take other actions. In addition, the prices of imported and domestic barley

and oats are equalized -- substantially as in the Netherlands.

Italy limits imports of feed grains from the dollar countries to a very low level, mainly by licensing. Shipments from nondollar countries are virtually unrestricted. As in other countries, the government restricts feed grain imports in part to stimulate domestic production. Imports of grain sorghums, however, are limited to 100-metric-ton lots on the grounds that the admission of larger quantities would result in this grain being ground into flour and mixed with wheat flour and used as food. Grain sorghums imports are additionally limited by a higher duty than is levied on yellow corn.

The government's more specific reasons for holding imports of feed grains other than sorghums from the dollar area to a low level are (1) Italy can obtain all its foreign feed grain requirements from the nondollar countries so that allowing imports from dollar countries would result in excess supplies and lower market prices for domestic feed grains, and (2) in order to develop its trade with Argentina and the Union of South Africa, it must be willing to accept grains from those countries in payment for goods they purchase from Italy.

Actually, continually increasing imports of feed grains by Italy during recent years have not depressed the market prices for domestic feed grains. Moreover, Italy's financial position has greatly improved vis-a-vis the dollar area. The country has had large increases in gold and dollar holdings, as reflected in the recent improvement in currency convertibility.

# Trade Agreements

All of these five countries still follow the policy of bilateralism in foreign trade. West Germany, for example, is a party to a 3-year bilateral trade agreement with Sweden and a 4-year agreement with France involving feed grains. The former, valid for the period August 1, 1958, to July 31, 1961, provides for imports by Germany of 300,000 metric tons of various Swedish grains annually. The latter calls for German imports of 325,000 metric tons of French feed grains in calendar year 1959 and 375,000 tons in each of the 3 succeeding years, and 325,000 tons of wheat during each of the first 2 years and 350,000 and 400,000 tons during the other 2.

A 3-year Italo-USSR agreement, beginning with calendar 1958, commits Italy to import 15,000 metric tons barley, 10,000 tons oats, and 50,000 tons corn from the USSR in 1960. This agreement also involves wheat as well as feed grains, and the United Kingdom concluded a 5-year agreement with Australia, effective from November 9, 1956, which envisages U.K. imports of not less than 762,000 metric tons (grain equivalent) of Australian wheat and flour annually. To what extent these agreements will be implemented remains to be seen, but it is certain that they are considerably limiting U.S. exports of feed grains (and wheat and flour) to the importing countries.

# Common Market

Excepting only the United Kingdom, all these important cutlets for U.S. feed grains in Europe are members of the Common Market, 1/ and are now con
1/ France and Luxembourg are the other members.

sidering proposals for a common agricultural policy. Until this policy has been worked out and accepted by the individual member states, no definitive appraisal of the Market's effect on U.S. feed grain exports can be made. One basis for coming closer to such an appraisal will be examination of the proposals during the forthcoming GATT meeting (General Agreement on Tariffs and Trade) scheduled to begin in September.

As they now stand, the proposals concerning feed grains include:

- 1. Establishment of a European Grain Bureau, which would intervene in the feed grain market by setting target producer prices for domestic feed grains.
  - 2. Support of the fixed domestic prices by purchase and loan programs.
- 3. Fixing common minimum import prices based on the target prices for domestic production.
- 4. Levying equalization fees on feed grains imported from non-member countries, based on the differences between the minimum import prices and world market prices.
- 5. Import licenses to be approved automatically except where domestic price levels are imperiled by unduly large imports.

TABLE 1.--Common Market countries: Feed grain imports, amounts from the United States, total from all sources, year beginning July 1, average 1950-54, annual 1956-58 1/

Importing countries :	Average	:	1956	:	1957	1958
	1950-54	:		:		:
:		:		:		•
:	1,000	:	,	:		1,000
<u>:</u>	metric ton	s:n	etric ton	<u>s:</u> n	metric tons	metric tons
West Germany	461.8	:	630.5	:	296.3	854.9
Netherlands	388.1	:	934.1	:	1,057.9	1,693.2
Belgium-Luxembourg:	259.0	:	464.4	:		893.5
France	129.4	:	65.2	:	78.8	122.1
Italy	73.0	:	3.2	:	68.8	89.3
Total from U.S	1,311.3	:	2,097.4	:	2,160.2	3,653.0
Total from all sources:	4,456.7	:	7,598.9	:	7,184.0	8,067.7
:	Percent	:	Percent	:	Percent	Percent
Share from U.S	29.4	:	27.6	:	30.1	45.3

<sup>1/</sup> Corn, oats, barley, grain sorghums.

To U.S. feed-grain exporters, the most important of these points is probably the level at which price supports are fixed, since this level will determine how much incentive producers in the Market countries have to increase production of feed grains.

Whatever form the proposals take, however, the Common Market is likely to continue to need substantial quantities of feed-grain imports. It has for some years been a feed-grain deficit area with an important livestock economy. And if the Market succeeds in raising levels of living this will mean higher consumption of meat, milk, and other dairy products—and a consequent need for more feed grains. Imports of these grains have been increasing for several years. In 1956-57, for example, the Six imported 7.6 million metric tons (28 percent from the United States). In 1957-58, they took only 7.2 million tons (30 percent from the United States), but in 1959-60, more than 8 million (45 percent from the United States).

#### United Kingdom

The United Kingdom controls the size of its feed grain imports by means of price supports on domestically produced barley and oats. Also, its feed compounders have assured the Ministry of Agriculture, Fisheries and Food that they will each year, so far as is practicable, use domestic barley in preference to imported barley if the price is competitive with world prices, the quality is satisfactory, and there is reasonable continuity of supply. The estimated 7.3 million metric tons of mixed feeds produced by the compounders in 1958-59 (using a wide variety of grains and other ingredients) represent 55 percent of all the concentrated feeds fed, and 72 percent of all the concentrated feeds purchased by U.K. farmers that year.

TABLE 2.-- United Kingdom: Feed grain imports by country of origin, year beginning July 1, average 1950-54, annual 1956-58 1/

Country of origin	Average 1950-54	:	1956	:	1957	1958
:	•	: c:		: c:	•	1,000 metric
United States:	<u>tons</u> 672.2	:	tons	:	tons 1,337.8	tons 1,869.0
Canada	339.4 128.0	:	774.2 61.5	:	652.2 51.8	
Argentina: Other countries:	302.5	:	142.8 782.7	:	16.1	283.5
Total	2,499.4	:	2,805.4	:	1,535.0 s	0 = 0 = =
Share from U.S:	Percent 26.9	:	Percent 37.2	:	Percent 37.2	Percent

1/ Corn, oats, barley, and grain sorghums.

The United Kingdom also has a 10-percent ad valorem duty on grain sorghums from non-Commonwealth countries. Its imports of this grain have been large in recent years-about 640,000 metric tons (25.2 million bushels) in 1958-59 --and about 75 percent have been coming from the United States. Since grain sorghum imports from Commonwealth countries are duty free, those countries have an advantage in exporting these grains to the United Kingdom. This advantage would, of course, seriously affect the competitive status of U.S. grain sorghums in the U.K. market if the Commonwealth countries were to

become important sorghums producers and exporters. Whether this will happen, however, is questionable. Nevertheless, if the duty were removed and the U.K. c.i.f. prices of non-Commonwealth grain sorghums lowered correspondingly, annual U.S. exports of these grains to the United Kingdom could be expected to increase substantially. Since U.K. corn imports are not subject to any duty, this increase in sorghums imports would, at least in part, be at the expense of corn. (The United Kingdom produces neither corn nor grain sorghums.)

However, some increase in grain sorghums imports could result from (1) expected expansion in the broiler and livestock industries in the United Kingdom, and (2) growing familiarity of farmers and feed compounders with the generally lower price and the feeding value of grain sorghums, not only for poultry but also for beef and dairy cattle. At the present time, farmers and compounders know less about these grains than other feeds. The broiler industry, insofar as integration or mass production and the consequent lowering of poultry prices are concerned, is still in the beginning stage in that country. Imports and feeding of grain sorghums will increase with development of the broiler industry unless present feed grain price relationships should change and production should shift significantly to yellow-skinned birds from the presently predominant white-skinned types.

#### Belgium

Belgium levies taxes of 100 Belgian francs per quintal on imports (importing is done by private traders) of rye, barley, and oats (51.0, 43.7, and 29.1 cents per bushel), 60 francs per quintal on corn, and millet and other sorghums (30.6, 27.3, and 30.6 cents per bushel) and 33 francs per quintal (15.0 cents per bushel) on buckwheat. Import taxes were first levied in

TABLE 3.-- Belgium-Luxembourg: Feed grain imports by country of origin, year beginning July 1, average 1950-54, annual 1956-58

Country of origin	:	Average 1950-54	:	1956	:	1957	:	1958
	:		:		:		:	
	:1,0	00 metric	:1,	000 metric	: 1	,000 metric	: 1	,000 metric
	:	tons	:	tons	:	tons	:	tons
United States	:	259.0	:	4. 404	:	658.4	:	893.5
Argentina	:	155.5	:	277.3	:	252.5	:	244.8
France	:	12.6		411.2	•	169.6	•	-
Netherlands	:	33.5	•	26.7	:	64.4	:	50.5
Other countries	:	595.1	:	286.7	:	323.4	:	197.7
Total	:	1,055.7	:	1,466.3	:	1,468.3	:	1,386.5
	:	Percent	: 1	Percent	:	Percent	:	Percent
Share from U.S	:	24.5	:	31.7	:	44.8	:	64.4
Share from U.S			: 1		:		:	The same of the sa

<sup>1/</sup> Corn, oats, barley, and grain sorghums.

August 1957 at the rate of 50 francs per quintal on rye, barley, and oats and 30 francs per quintal on corn, millet and other sorghums, and buckwheat. The taxes on the first four grains were doubled in August 1958 and those on millet and other sorghums were doubled in March 1959. The purpose of the taxes is to raise the prices of imported and domestic feed grains which, in turn, is to encourage Belgian farmers to divert some land to such grains from wheat, and thus reduce wheat production and hold down feed grain imports.

Belgium needs about 1,000,000 metric tons of wheat annually for flour production. Its farmers annually supply about 750,000 tons of millable wheat. To provide Belgian farmers with a market for their wheat, millers are required to use a varying percentage of domestic wheat in their grist. However, they want to use less domestic soft wheat and more imported hard wheat, in order to supply their baker customers with the kind of flour they want. As a result, a surplus of domestic wheat has occurred recently. In Belgium, as in most other European countries, rising standards of living plus higher production and consumption of livestock and livestock products have tended to increase the consumption of feed grains.

Total production of rye, barley, oats, and corn increased from 943,900 metric tons in 1957-58 to 963,800 tons in 1958-59 and to 1,021,000 tons in 1959-60, but not at the expense of wheat production or feed grain imports. Wheat production rose from 751,100 tons (27.6 million bushels) to 778,400 tons (28.6 million bushels) and to 792,000 tons (29.1 million bushels) for the same years. Feed grain imports totaled about 1.5 million tons in 1956-57 and in 1957-58 and declined slightly to 1.4 million tons in 1958-59. Belgium produces no grain sorghums and only a little corn. Wheat production has not declined and feed grain production has not increased more because (1) the Belgian Government has kept the producer "directional" price of wheat at an average of 470 francs per quintal (\$2.55 per bushel) and (2) by means of "mixing regulations," it has attempted to assure Belgian farmers of a market for their commercial supplies of wheat. Under this policy, wheat production has, despite the increases in feed grain prices, remained more profitable than feed grain production. Furthermore, it is expected that this situation will continue, unless further increases in the feed grain import license taxes should materially change the wheat-feed-grain price relationships.

The doubling of the import license taxes on rye, barley, oats, and corn in August 1958, with only a slight raise in that for grain sorghums, caused sorghums imports to increase 242,300 metric tons from 1957-58 to 1958-59. This was almost entirely at the expense of barley. Then in March 1959 the tax on grain sorghums was doubled, but there still are substantial c.i.f. price differentials in favor of sorghums over barley and corn. The outlook therefore is that so long as these price relationships and other costs and the availability of feed grains in exporting countries remain substantially unchanged, Belgian traders will continue to import feed grains in the proportions of 1958-59.

# Netherlands

The Netherlands is levying variable equalization fees on its large imports of feed grains (importing done by private traders). For each grain, a

minimum import price has been fixed, which for rye, barley, and oats is 1.50 guilders per quintal below the corresponding producer support prices. There are no floor prices for corn and grain sorghums, and the minimum import prices of those grains are fixed somewhat in relation to those for rye, barley, and oats.

If the c.i.f. price of a grain drops 1.50 guilders per quintal below its minimum import price, a fee of 1 guilder per quintal is levied on imports of the grain. If the c.i.f. price drops 3.0 guilders per quintal below the minimum, a fee of 2 guilders per quintal is levied. Thus, the fees vary with variations in the respective c.i.f. prices below the minimum.

TABLE 4.-- Netherlands: Feed grain imports by country of origin, year beginning July 1, average 1950-54, annual 1956-58

Country of origin	Average 1950-54	:	1956	:	1957	:	1958
United States	2.7 384.9	•	,000 metric tons 934.1 10.2 462.0 180.5 633.8		1,000 metric tons 1,057.9 454.8 75.1 301.4 1,889.2	::1	,000 metric tons 1,693.2 522.1 200.7 2,416.0
Share from U.S	Percent 36.1	:	Percent 42.1	:	Percent 56.0	:	Percent 70.0

<sup>1/</sup> Corn, oats, barley, and grain sorghums.

The purpose of the fees is to protect Dutch farmers against the keen competition from low-priced foreign feed grains if the market prices of domestic and imported feed grains were not thus approximately equalized. The fees, therefore, encourage increased domestic feed grain production by assuring Dutch farmers of profitable prices for their commercial production of these grains.

Since the equalization fee levied on corn imports has been proportionately lower than the fees for barley and oats, the Netherlands' total corn imports during the last 3 years have been increasing at the expense of barley and oats. C.i.f. prices are higher for corn than for the other grains, but these differences have been more than offset by the lower import equalization fee and higher feeding value of corn. A relatively low equalization fee and c.i.f. price for grain sorghums have also increased imports of those grains rapidly in recent years.

In the years ahead the Netherlands' feed grain requirements quite certainly will rise along with increased production and consumption of poultry and livestock products over most of Europe. Broiler production will generally develop in that country with a limited degree of integration, in

response to expected expansion in the domestic and foreign broiler markets. The Netherlands' per capita consumption of poultry meat is only about 4-5 pounds per year. Its foreign markets, principally Switzerland and West Germany, which have been absorbing much more of its poultry production than the home market, are expected to expand because of the lower Dutch feed grain costs.

Domestic feed grain production will not keep pace with rising domestic requirements. The Netherlands produces no grain sorghums and only a little corn. It is estimated that its feed grain import requirements during the next 3 years will increase by about 15 to 20 percent over the 1958-59 level of 2.9 million metric tons of feed grains of all types. The estimated 1959-60 total of about 3.9 million tons is abnormally high due to the 1959 drought. The quantities of the different feed grains that will be imported will depend mainly upon the comparative c.i.f. prices and general availability in exporting countries.

### West Germany

The West German Government directly controls imports of feed grains (importing done by private traders) by means of annual country quotas determined some time in advance of the beginning of the marketing year, and by additional controls exercised by the Import and Storage Agency throughout the year. The government has in operation a "continuous import" procedure, under which separate biweekly total import quotas are fixed for oats, feed barley, corn, and grain sorghums. For each quota for each grain the traders are given a group of exporting countries to choose from. However, the Import and Storage Agency has reserved the right at any time to prohibit purchases from certain exporting countries, change the amount of each grain to be imported from any country, suspend or stop shipments from any country, and take other actions.

TABLE 5 .-- West Germany: Feed grain imports by country of origin, year beginning July 1, average 1950-54, annual 1956-58 1/

		-					
Country of	Average	•	1956	•	1957	•	1958
origin :	1950-54	:	4//0	•	4/21	:	2//0
•		-		•			
•		• _		•		•	
*.	1,000 metric	:1	,000 metric	:1	,000 metric	:1	,000 metric
•	tons	:	tons	:	tons	:	tons
United States:	461.8	:	630.5	:	296.3	•	854.9
Australia	54.1	:	239.2	:	198.3	:	338.6
Argentina	305.8	:	599.3	:	646.2	:	386.0
France	5.6	:	273.6	:	236.0	:	6.6
Union of South Africa:	52.2	:	254.6	:	329.4	:	255.8
Other countries:	610.2	:	818.8	:	589.4	:	895.8
Total	1,489.7	:	2,816.0	:	2,295.6	:	2,737.7
	Percent	•	Percent	•	Percent	:	Percent
Share from U.S	31.0	:	22.4	:	12.9	:	31.2
1/ Corn. oats, barley.	and grain so	re	hums.				

The prices of imported and domestic barley and oats are equalized substantially in the same manner and for the same purpose as in the Netherlands. One important difference is in the amount of the levy. The Import and Storage Agency formerly collected the exact difference between the c.i.f. unit cost of each shipment and a fixed price approximately equal to the average current producer support price for the same grain. During the last few months, however, the Agency has for each grain been collecting the same per unit amount regardless of the actual c.i.f. per unit cost and regardless of exporting country. Under the latter procedure, the prices at which feed grains are obtainable in exporting countries, the cost of ocean transportation, and other related costs will definitely be factors in West Germany's feed grain import trade. However, the Agency has also reserved the right, at its discretion, to fix at any time different "skimming" rates for different exporting countries.

German grain importers and U.S. grain exporters and producers object to the rights reserved by the Import and Storage Agency, for they introduce too much uncertainty into grain trading. It is the view of some German importers that if West Germany did not fix annual country import quotas for each feed grain, and if the continuous import procedure and the uniform "skimming" charge were continued without exercise by the Import and Storage Agency of the reserved rights, West Germany's purchases of feed grains from the United States would be very much larger than they have been. One importer estimated they would be as much as 75 percent of the total.

West Germany wants to keep domestic feed grain production at the highest practicable level, but it will continue to use more than it can produce and import requirements will not be reduced. West Germany produces no grain sorghums and very little corn. However, owing to the higher prices of feed grains in West Germany than, for example, in the Netherlands, the prospects for development of the broiler industry in the immediate future are relatively limited. Broilers can be imported from the Netherlands for less than it costs to produce them in West Germany. After feed grain support prices have been unified in the Common Market countries, there will be greater possibilities for expansion in broiler production in West Germany. Broiler production, therefore, is not expected to increase West Germany's feed grain import requirements in the immediate future.

# Italy

Italy's production of feed grains has always been considerably short of domestic requirements. Despite an increase in total production of barley, oats, corn, and rye from 4.1 million metric tons in 1955-56 to 4.7 million tons in 1959-60, Italy's total feed grain imports rose from 358,400 tons in 1954-55 to a record of over 1 million tons in 1958-59. Barley and rye output generally declined, but this trend was more than offset by increases in corn and oats, especially corn by the use of hybrid seed. Growing of grain sorghums is still in the experimental stage. Corn vastly exceeded the other feed grains in increases in imports. Grain sorghums imports have thus far been very limited.

It is expected that the expansion in feed grain imports will continue.

Italy's arable land area is very limited but its population is increasing, and the recent increases in poultry and livestock consumption and production may be accelerated by an educational campaign to induce Italians to use more milk and poultry, by improvements in the country's livestock and poultry and in feeding methods, by developing the broiler industry, and by adopting more sanitary and efficient methods of handling and marketing milk and other animal products. Italy's per capita milk consumption is among the lowest in Europe and its per capita consumption of poultry is only about 5 pounds per year.

TABLE 6.-- Italy: Feed grain imports by country of origin, year beginning July 1, average 1950-54, annual 1956-58 1

Country of origin	Average 1950-54	1956	1957	1958
United States Argentina Union of South Africa Other countries Total	tons 73.0 38.7 9.3 92.1	:1,000 metric : tons : 3.2 : 273.1 : 92.2 : 314.7 : 683.2	:1,000 metric : tons : 68.8 : 391.5 : 167.8 : 257.8	:1,000 metric : tons : 89.3 : 571.9 : 155.4 : 215.1 : 1,031.7
Share from U.S		Percent	: <u>Percent</u> : 7.8	Percent 8.7

1/ Corn, oats, barley, and grain sorghums.

Little of Italy's imported feed grains has been coming from the United States. During 1954-55 through 1958-59, the proportion ranged from only 4.2 percent (for 1954-55) to 8.7 percent (for 1958-59). During the period, Italy imported from the United States 255,400 metric tons of corn (out of a total of 2,265,600 tons), 62,700 tons of barley (out of a total of 889,600 tons), and 8,600 tons of oats (out of a total of 346,500 tons). Rye and grain sorghums imports totaled 349,800 and 11,000 tons, respectively, none of which came from the United States. A portion of the U.S. exports of corn and barley to Italy were P.L. 480 and barter exports.

The reason for this situation is the Italian Government's policy of severely limiting imports of feed grains from the dollar area by licensing, while permitting uncontrolled imports from the nondollar countries. The stated reasons for this are (1) Italy can get all its foreign feed grain requirements from nondollar countries, and permitting unrestricted imports from the dollar area would result in excessive supplies in Italy which would seriously lower the market prices of domestic feed grains, and (2) Italy must accept feed grains from nondollar countries in payment for Italian exports to these countries.

However, even though Italy's imports of feed grains have been increasing greatly in recent years, the market prices of domestic feed grains have generally remained firm. Furthermore, Italy is now in a better foreign exchange

position than it has been at any time since the end of the war. Along with 13 other Western European countries, it restored its currency to partial convertibility a year and a half ago. Today, its large gold and dollar holdings of over \$3 billion are among the highest in Europe.

Not only dollar countries, but others as well, find the Italian market for grain sorghums controlled by licensing. Imports are limited to 100-ton lots, with the importer in each case being required to state in advance the purpose for which the grain is to be used. This is the result of the importation some years ago of some white sorghum from Pakistan, which was used for food in the form of flour, mixed with wheat flour. Grain sorghum imports from all countries are discriminated against by being subject to a higher duty (10 percent ad valorem plus a so-called general transactions tax of 3 percent) than yellow corn (total charge of only 4 percent). (These two grains are about equal in feeding value.)

If restrictions against dollar feed grain imports were removed, the United States would have access to a growing market, which has already reached over a million tons. With an aggressive sales effort, the U.S. share of that market, now only about 9 percent, could reasonably be expected to be about 50 percent.

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